

AL MANAR

FINANCING & LEASING



2020



Al Manar Financing and Leasing Company
(K.P.S.C)
and its Subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)
For the six month period ended ended 30 June 2020
With Review Report

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 (Unaudited)

	NOTE	30 June 2020	31 December 2019 (Audited)	30 June 2019
		KD	KD	KD
ASSETS				
Cash and cash equivalents	5	1,528,884	1,108,166	978,834
Investment in Murabaha receivables	6	4,347,321	4,347,321	4,347,321
Finance receivables	7	25,154,446	28,668,076	30,122,936
Other receivable and prepayment	8	1,476,289	1,480,532	815,164
Investments in financial securities	9	3,616,207	4,372,948	4,443,321
Investment properties	10	3,977,494	4,126,940	2,449,347
Right of use assets		106,762	155,630	232,972
Other assets		78,733	38,994	25,068
Total assets		40,286,136	44,298,607	43,414,963

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Finance payables	11	6,471,754	7,334,758	6,450,659
Accounts payable and other credit balances	12	645,174	1,810,361	2,668,189
Provision for staff indemnity		1,228,054	1,199,649	1,372,291
Total liabilities		8,344,982	10,344,768	10,491,139

EQUITY				
Share capital		30,874,759	30,874,759	30,874,759
Share premium		312,020	312,020	312,020
Statutory reserve		2,000,722	2,000,722	2,000,722
Voluntary reserve		371,744	1,242,080	1,242,080
Fair value reserve		(138,036)	386,944	(43,177)
Accumulated losses		(1,487,705)	(870,336)	(1,470,230)
Total equity attributable to the shareholders of the Parent Company		31,933,504	33,946,189	32,916,174
Non-controlling interests		7,650	7,650	7,650
Total equity		31,941,154	33,953,839	32,923,824
Total liabilities and equity		40,286,136	44,298,607	43,414,963

Faisal Abdel Aziz Al-Nassar
Chairman

Bader Hamad Al-Rabiah
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020 (Unaudited)

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		KD	KD	KD	KD
REVENUES					
Finance revenues		437,320	768,737	1,130,857	1,567,134
Net (loss) / Income from investment properties	13	(100,728)	32,272	(38,551)	86,042
Net gain / (loss) from investments	14	15,186	-	(151,522)	96,288
Other income		14,755	132,036	73,453	217,479
		366,533	933,045	1,014,237	1,966,943

EXPENSES					
Finance cost		71,937	103,760	188,825	204,082
Staff costs		234,831	335,492	487,626	652,950
Loss on deferral of loans instalments		437,320	-	437,320	-
Provisions for credit losses		(17,491)	59,540	1,174,801	30,170
Other expenses		63,196	246,183	213,370	458,872
		789,793	744,975	2,501,942	1,346,074
Profit before deductions		(423,260)	188,070	(1,487,705)	620,869
Kuwait Foundation Advancement of Science		-	(15,657)	-	(15,657)
Zakat		-	(3,313)	-	(7,147)
Net (losses)/ profit for the period		(423,260)	169,100	(1,487,705)	598,065
Distributed as follows:					
Parent Company's shareholders		(423,260)	169,100	(1,487,705)	598,065
Non-controlling interests		-	-	-	-
		(423,260)	169,100	(1,487,705)	598,065

Other comprehensive (loss) / income

Items that will not be reclassified subsequently to interim condensed consolidated statement of income:

Change in fair value of equity investments at fair value through other comprehensive income		-	-	(524,980)	-
Total comprehensive (loss)/ income		(423,260)	169,100	(2,012,685)	598,065
Distributed as follows:					
Parent Company's shareholders		(423,260)	169,100	(2,012,685)	598,065
Non-controlling interests		-	-	-	-
		(423,260)	169,100	(2,012,685)	598,065
(Loss) /Earnings per share (fils)	15	(1.37)	0.55	(6.52)	1.94

The accompanying notes set out on pages form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020 (Unaudited)

Equity attributable to the shareholders of the Parent Company

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	KD	KD	KD	KD		KD	KD	KD	KD
Balance at 1 January 2019	30,874,759	312,020	2,000,722	1,242,080	(43,177)	(2,068,295)	32,318,109	7,650	32,325,759
Net profit for the period	-	-	-	-	-	598,065	598,065	-	598,065
Balance at 30 June 2019	30,874,759	312,020	2,000,722	1,242,080	(43,177)	(1,470,230)	32,916,174	7,650	32,923,824
Balance at 1 January 2020	30,874,759	312,020	2,000,722	1,242,080	386,944	(870,336)	33,946,189	7,650	33,953,839
Amortize the accumulated loss from Voluntary Reserve	-	-	-	(870,336)	-	870,336	-	-	-
Other comprehensive loss for the period	-	-	-	-	(524,980)	-	(524,980)	-	(524,980)
Net profit for the period	-	-	-	-	-	(1,487,705)	(1,487,705)	-	(1,487,705)
Balance at 30 June 2020	30,874,759	312,020	2,000,722	371,744	(138,036)	(1,487,705)	31,933,504	7,650	31,941,154

The accompanying notes set out on pages form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020 (Unaudited)

	NOTE	Six months ended 30 June	
		2020 KD	2019 KD
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) / profit for the period		(1,487,705)	598,065
Adjustments for:			
Depreciation, Amortization and Impairment		198,641	85,146
Losses / (gains) from investments		151,522	(96,288)
Expected credit losses		1,174,801	30,170
Other provisions		-	100,000
Income from Murabaha receivable		(34,995)	(42,452)
Finance costs		188,825	204,082
Provision for staff indemnity		36,870	100,145
Operating profit before changes in working capital		227,959	978,868
Finance receivables		2,338,829	(1,028,816)
Investments in financial securities		-	27,401
Other debit balances		4,243	(540,933)
Accounts payable and other credit balances		(1,101,175)	512,409
Provision for staff indemnity		(8,465)	(9,999)
Net cash generated from / (used in) operating activities		1,461,391	(61,070)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Murabaha receivables		34,995	42,452
Dividends income received		80,240	96,288
Purchase of property and equipment		(50,264)	(55,725)
Net cash generated from investing activities		64,971	83,015
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement of Islamic Murabaha and Wakala payables		(863,004)	(217,005)
Lease liability payments		(41,650)	(94,968)
Dividends paid		(12,165)	(119,208)
Finance costs paid		(188,825)	(204,082)
Net cash used in from financing activities		(1,105,644)	(635,263)
Net increase / (decrease) in cash and cash equivalents		420,718	(613,318)
Cash and cash equivalents at beginning of the period		1,108,166	1,592,152
Cash and cash equivalents at end of the period	5	1,528,884	978,834

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020 (Unaudited)

1. FORMATION AND PRINCIPAL ACTIVITIES

Al Manar Financing and Leasing Company (K.P.S.C) (“the Parent Company”) was incorporated in the State of Kuwait in 2003 by the authorized letter of incorporation no. 4857 file 1 dated 6 December 2003.

The main activities of the Parent Company and its subsidiaries (together referred to as “the Group”) are all financing and investing activities according to the Islamic Shari’a principles.

The Parent Company is subject to instructions and monitoring by the Central Bank of Kuwait and Capital Markets Authority.

The registered office of the Parent Company is P.O. Box 22828, Safat 13089, Kuwait.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (the Group) as follow:

Company name	Ownership percentage (%)		Activity	Country of corporation
	30 June 2020	30 June 2019		
Manarat Tasaheel Real Estate Company W.L.L	99	99	Projects Management	Kuwait
Al-Manar Express for Marketing Consulting Company W.L.L	50	50	Consulting activities	Kuwait
Al- Manar Watania for Administrative Consulting Company W.L.L	50	50	Consulting activities	Kuwait

Subsidiaries’ management accounts have been used for the consolidation purposes as at 30 June 2020.

The total assets of the subsidiaries are KD 4,796,478 (KD 4,982,335 as at 31 December 2019, KD 3,115,147 as at 30 June 2019), net losses of KD 31,084 during the six months ended 30 June 2020 (net losses KD 8,110 during the six months ended 30 June 2019).

On 23 June 2020, the General Assembly approved the consolidated financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial information was approved for issue by the Board of Directors on 13 August 2020.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’.

The annual consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require expected credit loss (‘ECL’) to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board (‘IASB’). (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019 except for changes in significant accounting policies, critical judgements and estimates and financial risk management that have been disclosed in the accompanying interim condensed consolidated financial information. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.2 Significant accounting policies

The accounting policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2019, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

Revised Standards

Effective for annual periods beginning on or after January 1, 2020

Effective for annual periods
beginning on or after

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

January 1, 2020

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Definition of a Business – Amendments to IFRS 3 Business Combinations

January 1, 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Amendments to References to the Conceptual Framework in IFRS Standards

January 1, 2020

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments

January 1, 2020

Amendments regarding pre-replacement issues in the context of the IBOR reform

The above revised standards that became effective during the current period has no impact on the current interim condensed consolidated financial information.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk

The Group has exposure to credit risk, market risk, liquidity risk and operational risk related to its activities. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the Annual Consolidated Financial Statements, and should be read in conjunction with the Group's Annual Consolidated Financial Statements as at 31 December 2019 except for the following:

a) Modified Financial Assets

Subsequent to the financial information date the Board of Directors deferred repayment of installment due in April, May, and June resulting in extension of the maturity of the finance receivable by three months. In the judgment of management, the payment will most likely continue post the relief period

The following table provides information on financial assets that were modified/ derecognized and the modification loss on the date of the aforementioned

Financial assets modified during the subsequent period – at amortised cost	30,656,863
Present value of modified cash flows at original effective interest rate	30,219,543
Modification loss *	437,320

* This modification loss is presented in “Loss on deferral of loans instalments” in the Interim Condensed Consolidated Statement of Income

b) Significant increase in credit risk

The Group continues to use both quantitative changes in DPDs as well as other qualitative factors as an identifier for significant increase in credit risk. Accordingly, the extensions granted do not automatically indicate that a significant increase in credit risk has occurred.

c) Incorporation of forward-looking information

The methodologies and assumptions involved for incorporating forward looking information, including any forecasts of future economic conditions, has been reviewed and updated by the Group in considerations of the COVID-19 and decline in oil price with their corresponding negative impact on the economy.

d) Probability of default

PD is an estimate of likelihood of default over a given time horizon, the calculation include historical data, assumptions and expectations of future conditions

e) Loss Given Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

f) Collateral

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the period there was no discernible deterioration in the quality of collateral held by the Group.

3.2 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- **Level one:** Quoted prices in active markets for identical assets or liabilities.
- **Level two:** Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- **Level three:** Inputs for the asset or liabilities that are not based on observable market data.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)	Relationship of unobservable inputs to fair value
	30 June 2020	31 Dec. 2019 (Audited)	30 June 2019			
	KD	KD	KD			
Financial assets at fair value through profit or loss:						
Local unquoted shares	2,105,409	2,299,940	2,777,382	Level 2	Market comparatives	N/A
Foreign unquoted shares	195,747	232,977	256,029	Level 2	Market comparatives	N/A
Local funds	2,551	2,551	2,551	Level 2	Net unite value	N/A
Financial assets at fair value through OCI:						
Foreign unquoted shares	1,312,500	1,837,480	1,407,359	Level 2	Market comparatives	N/A

Fair values of the Group's other financial assets and financial liabilities are approximately equal to their carrying value.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of these condensed interim financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except for the changes highlighted below:

Expected credit losses and modification of financial assets

The Group has reassessed its significant judgements and estimates in respect of expected credit losses (including probability of default, loss given default and incorporation of forward looking information) and modification of financial assets as examined in detail in note 3.1.

Fair value measurements and valuation techniques

Subsequent to the year end, the COVID-19 pandemic and downturn in global economy has effected the fair value of the unquoted investments. Accordingly, the management has performed fair value studies for the unquoted shares. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in note (3.2, 9)

5. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Cash at banks	1,527,134	1,105,061	977,634
Cash on hand	1,750	3,105	1,200
	1,528,884	1,108,166	978,834

6. INVESTMENT IN MURABAHA RECEIVABLE

Investment in Murabaha receivables are the deposited amounts at a local financial institution according to Murabaha contracts. The average yield on those contracts is 1.38% per annum (2.15% per annum – 2019).

7. FINANCE RECEIVABLE

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Finance receivables	34,813,119	37,284,038	39,606,090
Less: deferred revenues	(5,021,686)	(5,300,992)	(5,692,404)
Less: provision for credit losses	(4,636,987)	(3,314,970)	(3,790,750)
Finance receivables – net	25,154,446	28,668,076	30,122,936

7.1 As at 30 June 2020, the expected credit losses for credit facilities, which were calculated in accordance with the requirements of IFRS 9 in accordance with the Central Bank of Kuwait guidelines. Management has provided 3 month deferral of installments to its customers as disclosed in note 3.1 and therefore number of days past due for customers whose installments were past due but not impaired as on 1 April 2020 remain unchanged till the reporting date.

7.2 The movement in the provisions for expected credit losses effected during the current year is as follows:

	30 June 2020	30 June 2019
	KD	KD
Balance at 1 January	3,314,970	7,672,307
Written off	-	(3,970,200)
Credit losses provided during the period	1,322,017	88,643
Balance at 30 June 2020	4,636,987	3,790,750

7.3 The Group holds collateral amounting to KD 11,075,430 as at 30 June 2020 (KD 10,823,429 - 31 December 2019; KD 12,916,250 – 30 June 2019) as collateral over its finance receivables

7.4 During the current period the Group recovered an amount of KD 147,216 as at 30 June 2020 (KD 58,473 – 30 June 2019) from the written off finance receivables and reversed the same in the interim condensed consolidated statement of income in provision for credit loss

8. OTHER RECEIVABLE AND PREPAYMENT

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Staff advances	824,329	825,447	250,706
Financial assets with call option	360,000	360,000	-
Due from related parties	39,681	67,560	100,795
Others (Net)	252,279	227,525	463,663
	1,476,289	1,480,532	815,164

- A staff receivable include an amount of KD 824,329 which represent a Qard Hassan granted to the employees against the guarantee of the end of service indemnity. This amount is due within a period of one year from the date of granting.

- The Group signed during the last year an agreement of purchase and lease back a real-estate, with call option to repurchase the real-estate within the period of three years. The Group account for the financial asset applying IFRS 9 requirements. The fair value of the real-estate amounted to KD 380,000 as at 30 June 2020 (KD 400,000 as at 31 December 2019).

9. INVESTMENTS IN FINANCIAL SECURITIES

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Financial assets at fair value through profit or loss ("FVTPL")			
Investments in unquoted local shares	2,105,409	2,299,940	2,777,382
Investments in unquoted foreign shares	195,747	232,977	256,029
Investments in unquoted local funds	2,551	2,551	2,551
	2,303,707	2,535,468	3,035,962
Financial assets at fair value through other comprehensive income			
Unquoted foreign shares	1,312,500	1,837,480	1,407,359
	3,616,207	4,372,948	4,443,321

Fair value of investments has been determined in the manner described in Note 3.2.

10. INVESTMENT PROPERTIES

The movement in the investment properties is as follows:

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Carrying amount as at the beginning of period /year	4,126,940	2,339,285	2,339,285
Addition	-	1,989,250	110,062
Depreciation charge	(39,446)	(28,845)	-
Impairment loss	(110,000)	(172,750)	-
Carrying amount as at the ending of period /year	3,977,494	4,126,940	2,449,347

The fair value of the Group's investment properties amounted to KD 4,520,000 as at 30 June 2020 (4,630,000 as at 31 December 2019) has been arrived at on the basis of a valuation carried by independent valuers not related to the Group.

The fair value of investment properties is determined based on capitalization rate of net property income and taking into account the capitalization of rental income potential, nature of property and prevailing market condition. The average capitalization rate used was 7.69% as at 30 June 2020 (7.76% -2019).

The independent valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations.

11. ISLAMIC FINANCE PAYABLES

Islamic Murabaha and Wakala payables are obtained from local banks and are dominated in KD. The average cost on Murabaha payables and Islamic Wakala is 6.18% (6.2% - 31 December 2019; 6.3% - 30 June 2019).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Investment in Murabaha receivables	4,347,321	4,347,321	4,347,321
Assigning receivables – net	3,822,383	4,400,074	15,851,991
Investment properties	3,048,700	3,166,732	2,339,285

12. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Trade payables	4,907	975,834	1,887,023
Dividends payable	180,803	192,968	231,800
Lease liability	120,250	161,900	208,212
Accrued salaries and other staff accruals	190,888	336,254	248,068
KFAS	21,270	21,270	21,270
NLST	25,475	25,475	15,657
Zakat	31,432	47,682	44,277
Others	70,149	48,978	11,882
	645,174	1,810,361	2,668,189

Lease liability maturity analysis are as follows:

	30 June 2020	31 December 2019 (Audited)	30 June 2019
	KD	KD	KD
Non-current lease liabilities due after 12 months	5,954	54,017	141,804
Current lease liability due within 12 months	114,296	107,883	66,408
	120,250	161,900	208,212

13. NET (LOSS) / INCOME FROM INVESTMENT PROPERTIES

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	KD	KD	KD	
Net rental income	28,995	52,210	110,895	105,980
Impairment loss	(110,000)	-	(110,000)	-
Depreciation	(19,723)	(19,938)	(39,446)	(19,938)
	(100,728)	32,272	(38,551)	86,042

14. NET GAINS/ (LOSSES) FROM INVESTMENTS

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	KD	KD	KD	
Dividends income	-	-	80,240	96,288
Change in Fair Value	15,186	-	(231,762)	-
	15,186	-	(151,522)	96,288

15. EARNINGS PER SHARE

(Loss) / earnings per share are calculated based on the net (loss)/ profit for the period divided by the weighted average number of shares outstanding during the period as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	KD	KD	KD	KD
Net (loss) / profit for the period	(423,260)	169,100	(2,012,685)	598,065
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591	308,747,591	308,747,591
(Loss) / earnings per share (Fils)	(1.37)	0.55	(6.52)	1.94

16. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties consist of major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. All related parties transactions approximate arms length terms and are approved by the Group's management.

The related parties balances and transactions included in the interim condensed consolidated financial information are as follows:

	30 June	31 December	30 June
	2020	2019	2019
	(Audited)		
	KD	KD	KD
Balances:			
a) Finance receivable	-	-	43,854
b) Due from related party	39,944	67,449	100,796
c) Key management's benefits payable	608,695	505,743	828,614
d) Advance to staff	183,060	187,450	-
Transactions:			
a) Compensation of key management personnel Salaries and other short term benefits	298,211	280,406	405,202
b) Board of Directors committees' remunerations	-	55,000	-

The Group has entered into an agreement with a related party to collect the outstanding instalments from some of the finance receivables on behalf of the Group.

The cash collected from that party on behalf of the Parent Company during the year amounted to KD 1,660,198 (KD 1,101,768 – 30 June 2019). The fees paid to that party amounted to KD 12,000 (KD 12,000 – 30 June 2019).

17. SEGMENTAL INFORMATION

Operating segments are to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The operating segments are divided into two major business segments. Business segments are distinguishable components of the Group that provide products or services subject to risks and returns different from those of other business segments.

	30 June 2020			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,203,682	(38,551)	(150,894)	1,014,237
Segment expenses	(1,800,946)	-	(700,996)	(2,501,942)
Segment results	(597,264)	(38,551)	(851,890)	(1,487,705)
Segment assets	31,030,651	7,593,701	1,661,784	40,286,136
Segment liabilities	6,472,100	-	1,872,882	8,344,982

	30 June 2019			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,738,001	182,330	46,612	1,966,943
Segment expenses	(304,082)	-	(1,041,992)	(1,346,074)
Segment results	1,433,919	182,330	(995,380)	620,869
Segment assets	35,449,091	6,892,668	1,073,204	43,414,963
Segment liabilities	8,359,114	-	2,132,025	10,491,139

18. GENERAL ASSEMBLY

On 23 -June 2020, the General Assembly approved the consolidated financial statements for the year ended 31 December 2019 and approved the followings:

- Not to distribute dividends to the shareholders of the parent company for the year ended 31 December 2019.
- Board of Directors remuneration Nil for the year ended 31 December 2019.
- Amortize accumulated loss amounted to KD 870,336 as at 31 December 2019 by decreasing the voluntary reserve from KD 1,242,080 to KD 371,744
- Issuance of Islamic Sukuk and delegate the Board of directors to identify the related terms after taking the necessary regulatory parties approval.

19. IMPACT OF COVID-19

The World Health Organization declared on March 11, 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group operates in economies that are relatively dependent on the crude oil prices. At the reporting date, oil prices have witnessed unprecedented volatility and decline. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group and incorporated the outcome in these interim condensed consolidated financial statements and explained the changes below related to the expected credit loss methodology, impairment of investment properties and valuation estimates and judgements as at and for the period ended 31 March 2020:

- ***Expected credit loss model***

The Group has updated the inputs and assumptions used for the determination of expected credit losses (“ECLs”) as at 31 March 2020. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

- ***Valuation estimates and judgements:***

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group’s financial and non-financial assets. The reported amounts best represent management’s assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.

- ***Modification of financial assets:***

The Group has delayed repayments of principal and interest due for finance receivable portfolio for a period of three months starting from 1 April 2020 (Note 3.1).

- ***Going concern:***

The Group has performed as assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group’s future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from

31 December 2019. As a result, this interim condensed consolidated financial information has been appropriately prepared on a going concern basis.

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